

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Licenses and Licensing
Rights of :

FIRST AMERICAN INSURANCE COMPANY,
d.b.a. American First Insurance Company,

Respondent.

Case Nos. UPA 02-02-2887-AP
LO 02-02-6066-AP

OAH No. N-2003080515

**STIPULATION & WAIVER,
ORDER OF MONETARY PENALTY**

Respondent First American Insurance Co., d.b.a. American First Insurance Company,
and the California Department of Insurance (“Department”) stipulate as follows:

Whereas, Respondent is, and at all times relevant hereto was, an insurer licensed to
conduct various classes of insurance in California and is conducting insurance business in
California;

Whereas, on July 9, 2002, the Department’s Field Claims Bureau completed a report of
its examination of the claims practices of Respondent, which report covers the period June 1,
2000 through May 31, 2001 (“the Examination Report”);

Whereas, on August 21, 2003, the Department issued an “Order to Show Cause,
Statement of Specific Charges/Accusation and Notice of Monetary Penalty” (“the OSC”) to
Respondent” under file numbers UPA 02-02-2887-AP and LO 02-02-6066-AP, alleging certain
violations of the Insurance Code and of the Department’s regulations;

WHEREAS, Respondent denies the allegations of the OSC, but acknowledge that those
allegations, if proven to be true, may constitute grounds for the Commissioner to impose a civil
penalty and issue an Order to Cease and Desist from engaging in those methods, acts, or
practices found to be unfair or deceptive pursuant to the provisions of the Insurance Code of the
State of California;

WHEREAS, the Department and Respondent have discussed Respondent’s response to

the Examination Report and Respondent's compliance with certain provisions of the Code and the Department's regulations;

WHEREAS, Respondent has implemented various measures to ensure compliance with the Code and Regulations; and

WHEREAS, the Department and Respondent believe that it is in the public interest to resolve all matters raised both by the Examination Report and the OSC without the need for a formal hearing or any further administrative action.

NOW, THEREFORE, with respect to the matters stated herein, the Department and Respondent agree as follows:

A. Respondent waives the right to a hearing and any and all rights that Respondent may be entitled to pursuant to Chapter 5, Part 1, Division 3, Title 2 of the California Government Code.

B. Respondent does not admit that it has violated any provisions of the California Insurance Code or the Department's regulations.

C. Respondent agrees that in lieu of other disciplinary action against its Certificate of Authority, the Commissioner, by his written order to be made and filed herein, and without further notice to Respondent, issue an Order of Monetary Penalty in the amount of two-hundred twenty five thousand dollars (\$225,000.00).

D. Respondent agrees to pay the \$225,000.00 monetary penalty within fifteen (15) days of receipt of an invoice from the Department. Payment by check payable to the Department shall be mailed to California Department of Insurance, Division of Accounting, 300 Capital Mall, 13th Floor, Sacramento, CA 95814.

E. Respondent agrees to provide its claims adjusters with on-going training and instruction to ensure compliance with California statutes and regulations covered by the findings listed in the Examination Report.

F. Respondent acknowledges that, if Respondent violates any of the terms or conditions of this Stipulation and Waiver, the Insurance Commissioner may bring disciplinary action against Respondent, including its successors in interest. Such disciplinary action may

include, but shall not be limited to, those remedies set forth in California Insurance Code Section 790 et seq.

G. Respondent acknowledges that this Stipulation is a public record under California Government Code Section 11517(d), and that the approved Stipulation is accessible to the public pursuant to California Public Records Act, California Government Code Section 6250 et seq. Pursuant to California Insurance Code Section 12968 the approved Stipulation will also be posted on the Department's internet web site.

H. Respondent acknowledges that California Insurance Code Section 12921 requires the Insurance Commissioner to personally approve the final settlement of this matter, and that both the settlement terms and conditions contained herein and the acceptance of those terms and conditions are contingent upon the Commissioner's approval.

Dated: December 17_, 2003

FIRST AMERICAN INSURANCE CO,
d.b.a. American First Insurance Company

By: /s/
Elliot M. Kroll
Attorney-in-Fact For
FIRST AMERICAN INSURANCE CO,
d.b.a. American First Insurance Company

Dated: December 22, 2003

DEPARTMENT OF INSURANCE

By /s/
Ramón Cintrón
Staff Counsel

Acknowledged as to Form only:

Dated: December 17, 2003

HERRICK, FEINSTEIN LLP,
Counsel for Respondent
(Approved as form only)

By: Elliot M. Kroll, Esq.

ORDER OF MONETARY PENALTY

The preceding Stipulation and Waiver is hereby adopted by the Department of Insurance of the State of California. Respondent shall pay a monetary penalty in the amount of two hundred twenty-five thousand dollars (\$225,000.00) as provided in the Stipulation

IT IS SO ORDERED THIS __10th____DAY OF __March_____, _2004

JOHN GARAMENDI
Insurance Commissioner

By

/s/
Jose S. Aguilar
Assistant Chief Counsel